

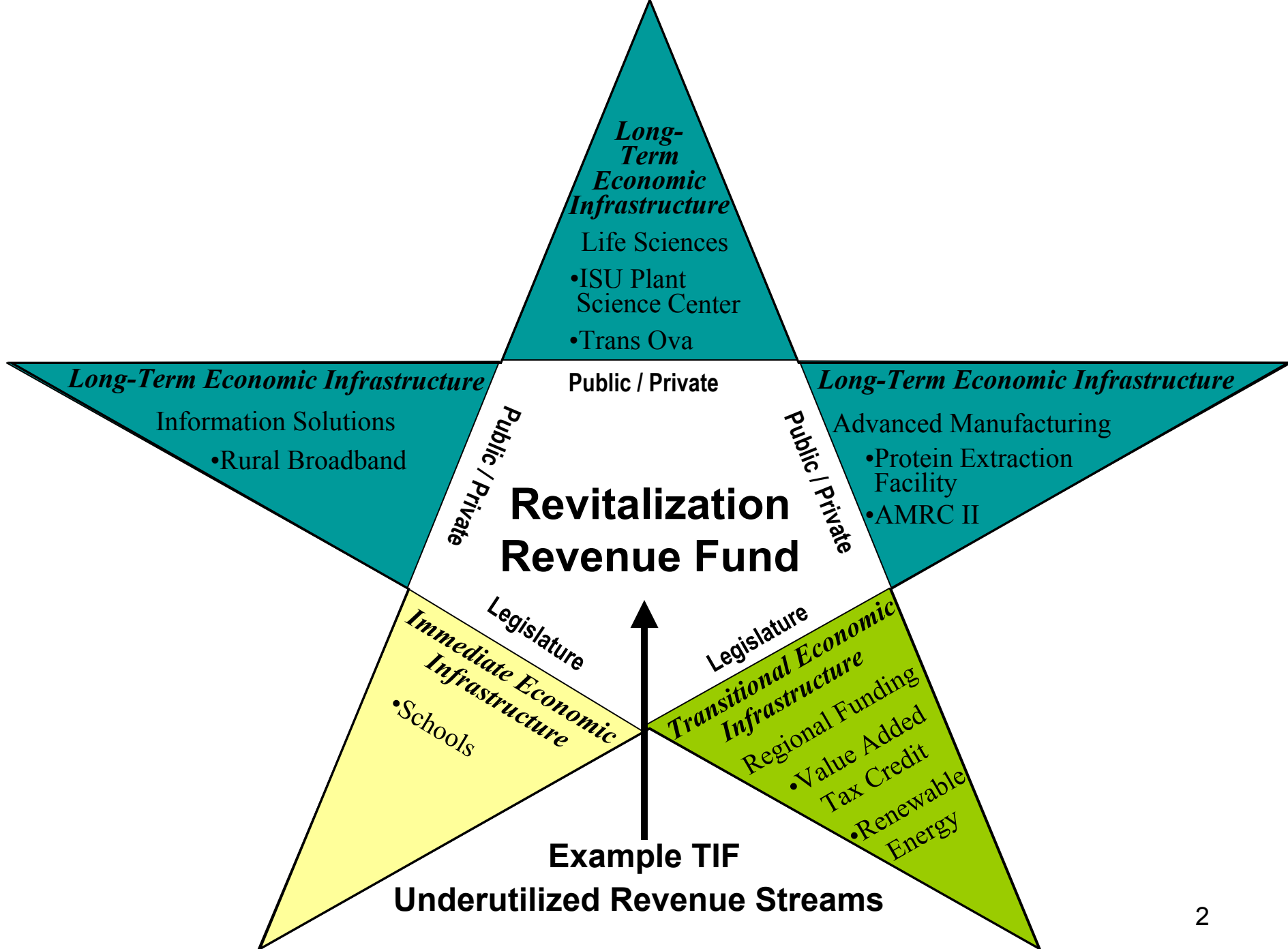
Economic Revitalization

Long Term Property Tax Relief

School Infrastructure Funding Equity

\$2,000,000,000

Through the re-deployment of underutilized assets.



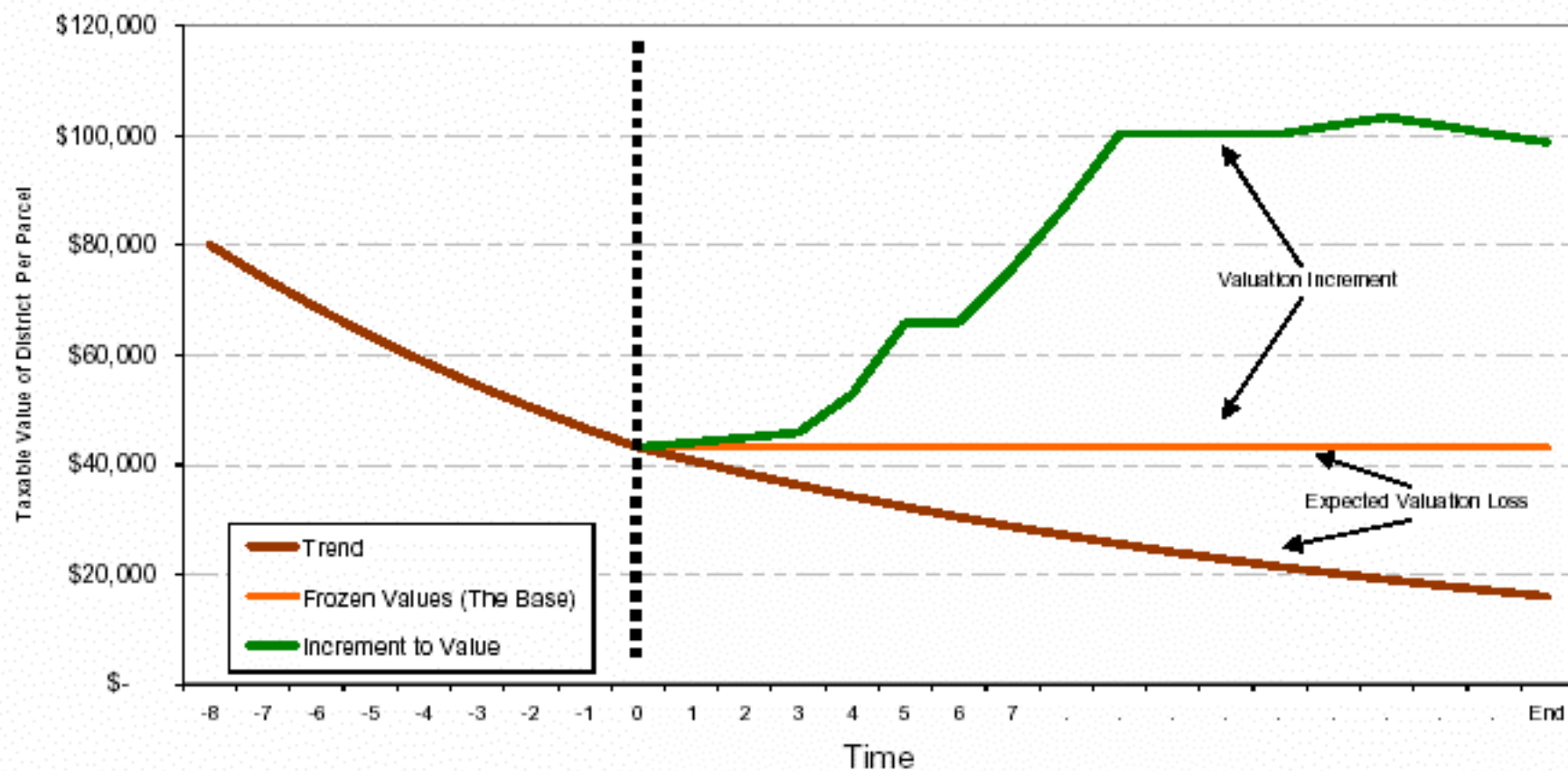
What is Tax Increment Financing?

- TIF is financing tool cities use to make improvements to an area.
 - The city borrows money to make the improvements.
 - The city repays the loan with the taxes paid by the growth in taxable valuation in the area.
 - Taxpayers in a TIF district pay the same rate as those outside the TIF. But their payments are intercepted before they ever get to the local governments that would otherwise have received the payment.

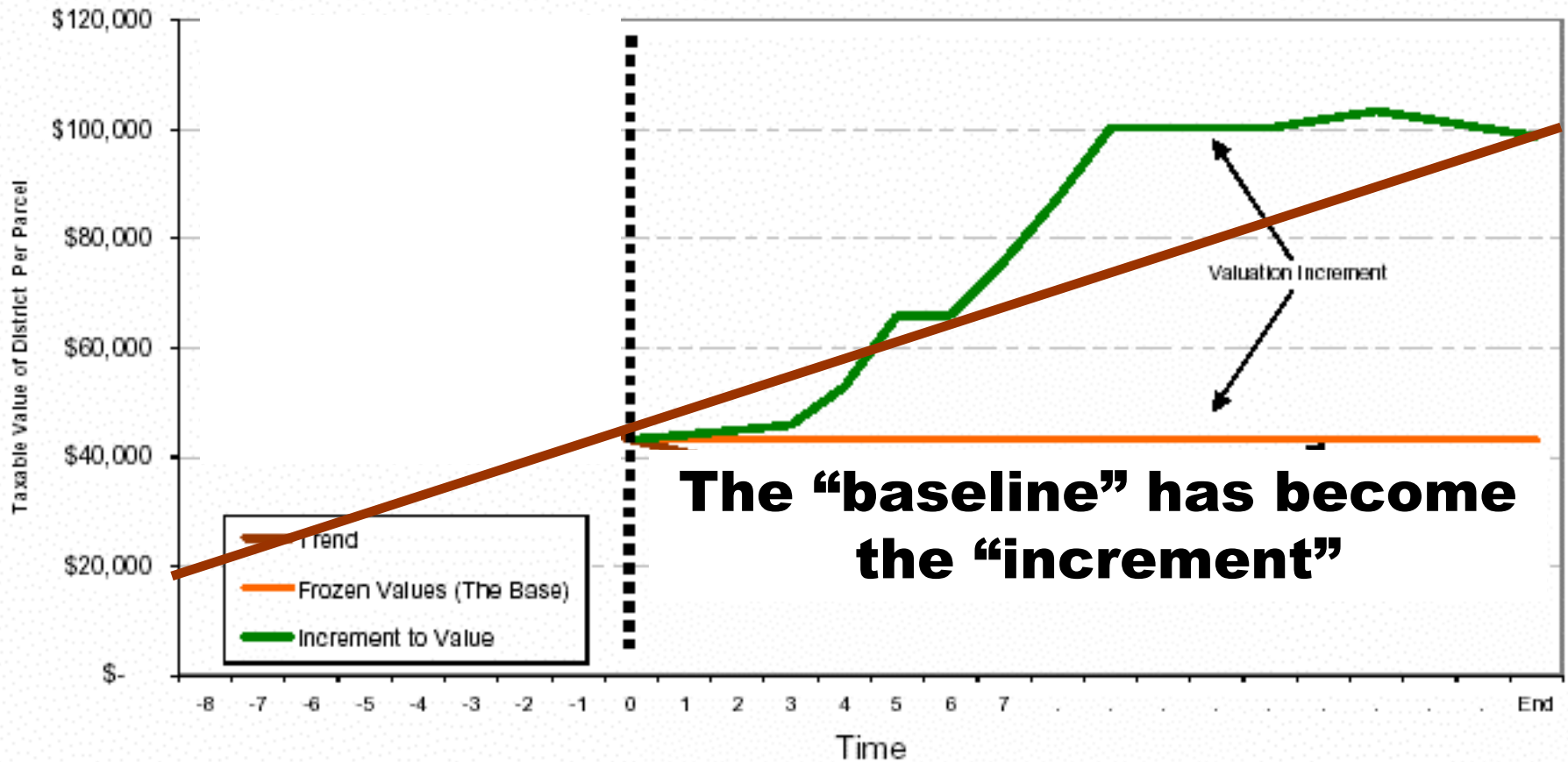
What Kind of Improvements?

- **Original Focus:** TIF was only allowed to finance improvements to slum and blighted neighborhoods.
- **Economic Development Tool:** TIF was then allowed for economic development. A city needs to install water and sewer lines so a company can locate in the city. The company won't locate without the infrastructure, and the infrastructure is pointless without the company. The city TIF's the company, so the company's future taxes repay the cost of development.
- **“Economic Development” Has Evolved**
 - Malls and other retail
 - Local Services (ie. expansion of a local car wash)
 - Tax rebatement – circumvents the 5-year abatement limit.

Tax Increment Financing: The Concept



Tax Increment Financing: The Reality



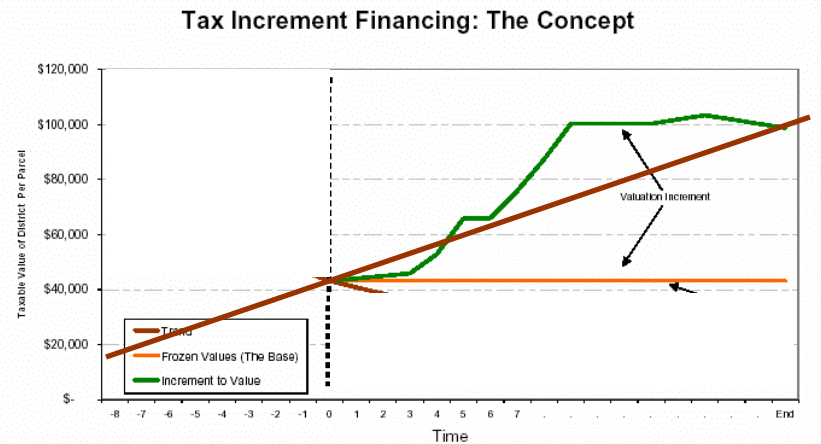
Why Do Local Governments TIF

- TIF revenue bonds require no vote.
 - Competition
 - “Rapid Response” tool.
 - Less voter involvement means more flexibility
- O.P.M Principal: TIF allows a city to use *Other People’s Money*.
- Better Question: “*Why doesn’t every city use TIF?*”

O.P.M – How TIFs Shift Burden

(Burden Shifted to Property Taxpayers)

- Freezes Taxable Valuation: TIF districts freeze the valuation for all taxing authorities in the district
 - Schools, cities, counties, hospitals, etc all require higher tax rates to cover the lost valuation



Local Government Normal Growth

Levy = Rate X Valuation

Levy = Rate X Valuation

Levy = Rate X Valuation

Local Government Growth With TIF

Levy = Rate X Valuation

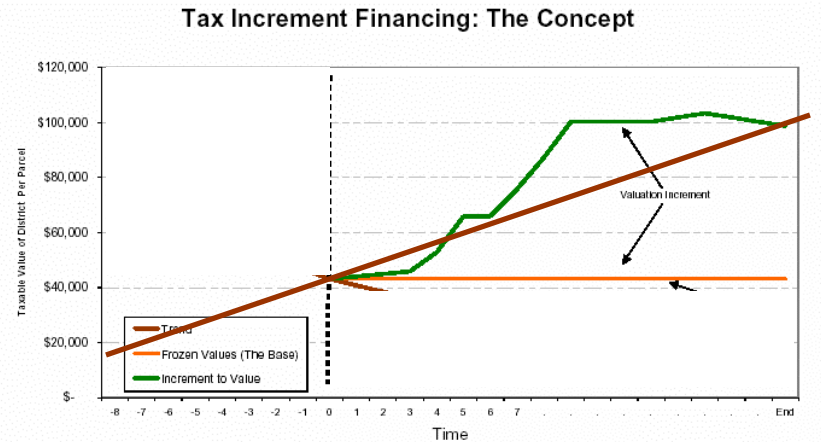
Levy = Rate X Valuation

Levy = Rate X Valuation

O.P.M – How TIFs Shift Burden

(Burden Shifted to All Iowa Taxpayers)

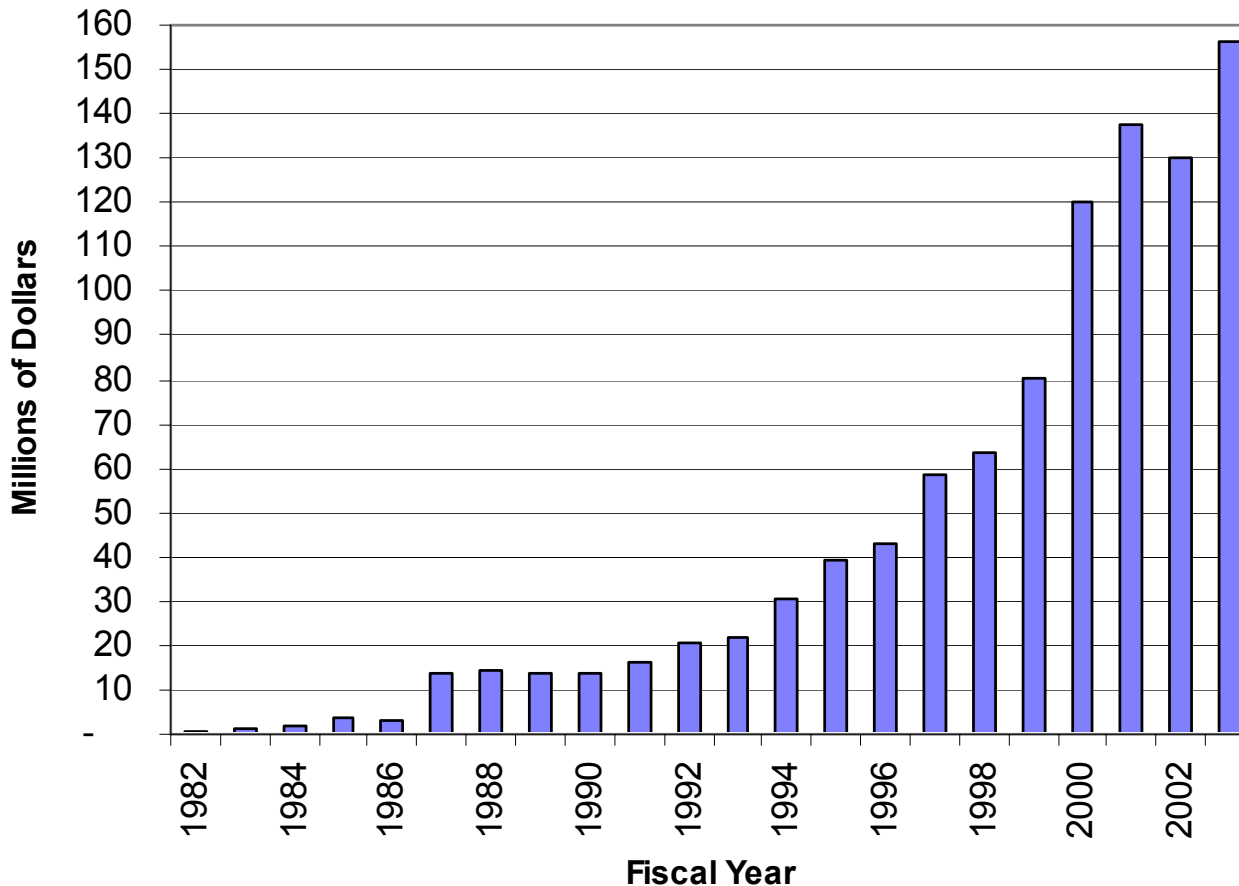
- School Aid Formula is based on three factors:
 - Taxable Valuation Per Student
 - Cost Per Student
 - Number of Students



- Uniform Levy = \$5.40 Per \$1,000 of Taxable Valuation (Every property taxpayer in Iowa pays the same rate)
- State Foundation Level is 87.5% - State aid makes up the difference between your uniform levy and 87.5% of your budget.
- As TIF Values **increase**, state aid **increases** because the uniform levy brings in less revenue – When a big mall is in a TIF, the result can be a hit to state general fund revenues of a million dollars.

TIF Growth Exceeds Original Purpose

TIF Revenues - FY 1982 to Present



Average Growth Rates

5 Years = 19.7%

10 Years = 22.0%

15 Years = 17.4%

20 Years = 14.3%

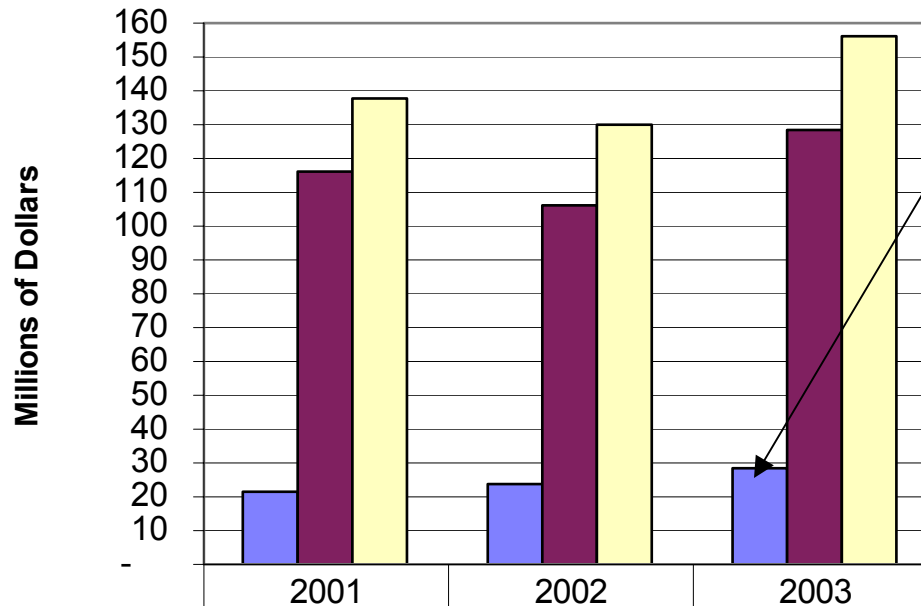
Total Growth

Since 1998 = 146%

Since 1993 = 628%

State Cost and Property Tax Shift

TIF Revenues - Who's Paying the Tab?



**30% Growth in
State Aid over
2 Years!**

Compare
2003 to 2001

State Aid Growth = \$6.6 Million

Property Tax Impact = \$12.2 million

■ State Aid Impact	\$21.6	\$24.1	\$28.2
■ Property Tax Impact	115.9	106.2	128.1
■ Total TIF Impact	137.6	130.3	156.4

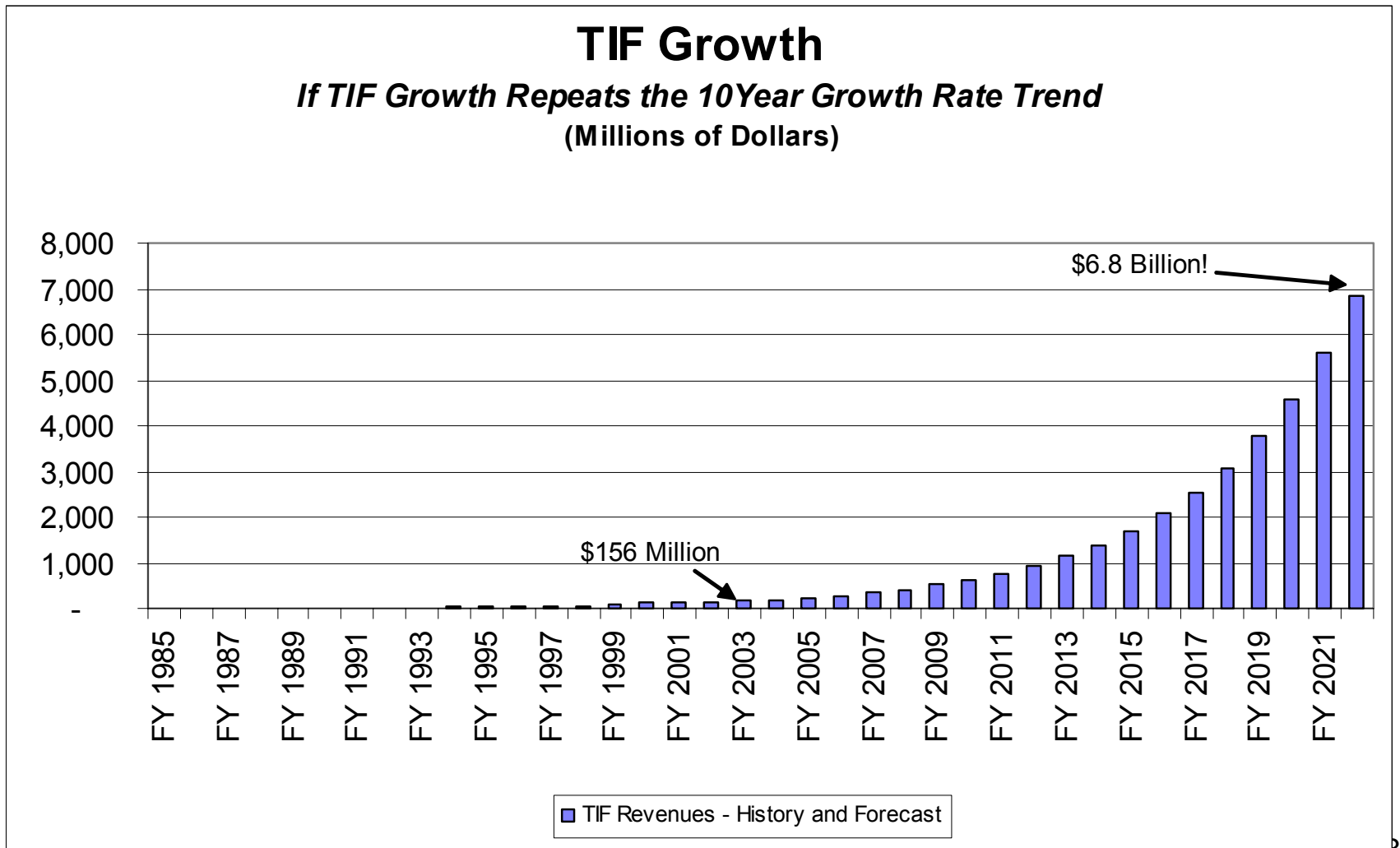
Academic Research

“City officials believe that the TIF action was instrumental in job growth in their town and in their region. How could it not be? We have an investment, and we have a firm with jobs. On net, however, except for the increment to manufacturing jobs, there is no evidence of economy wide benefits (trade, all nonfarm jobs), fiscal benefits, or population gains. There is indirect statistical evidence that this profligate practice is resulting in a direct transfer of resources from existing tax payers to new firms without yielding region-wide economic and social gains to justify the public’s investment.” *David Swenson*

“As regards the current level of TIF-based spending in the state, their relationships to these sets of fiscal, economic, and population outcomes are truly under-whelming.” *David Swenson*

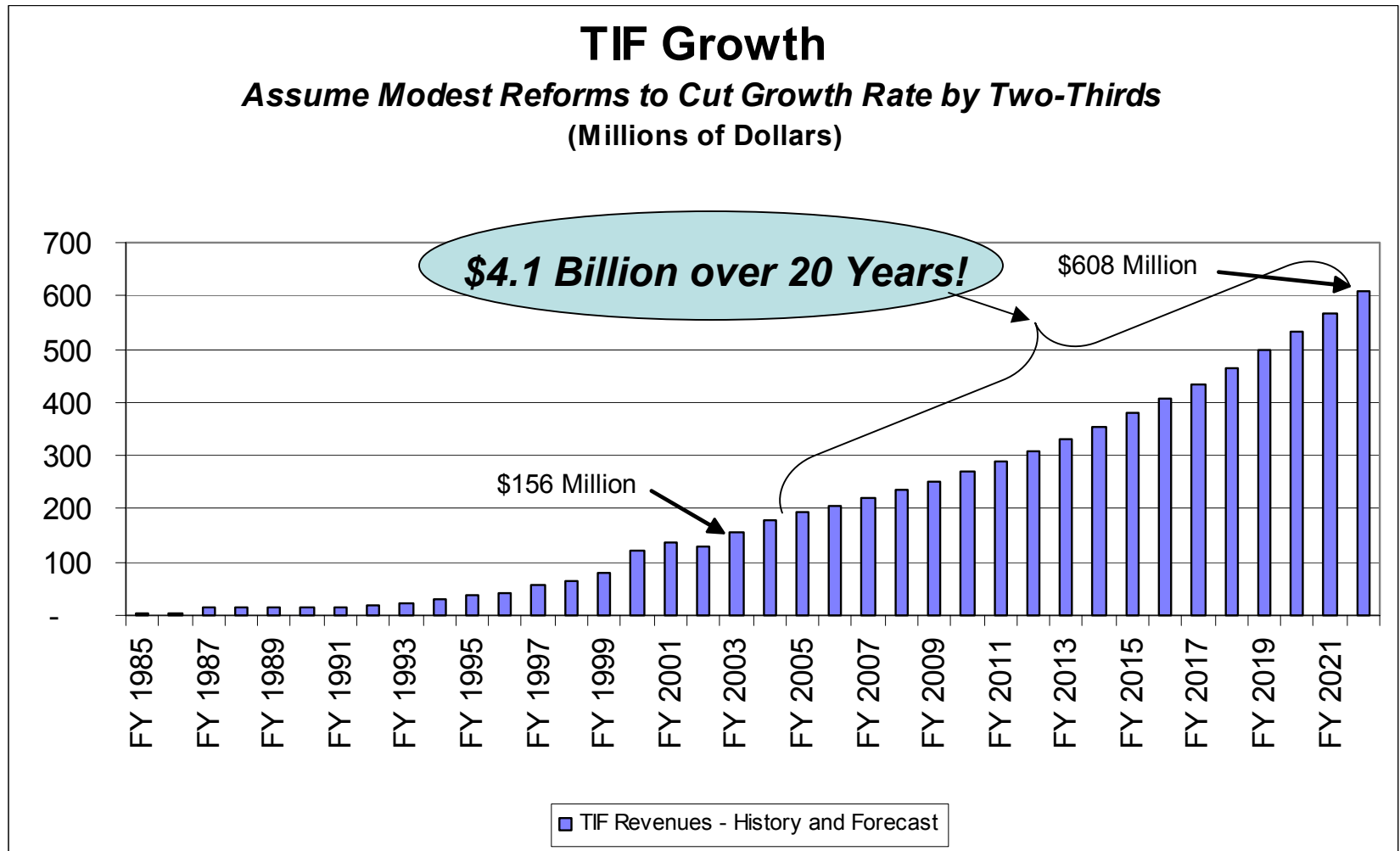
“The government that robs Peter to pay Paul can count on the support of Paul.” *George Bernard Shaw*

TIF Growth Left Unchecked



TIF Trend: Reasonable Trend Forecast

“Under-Utilized Assets”



STIR IOWA

Statewide Tax Increment Renewal

- **General Concept:** *Eliminate 2,000 existing TIF districts, and replace them with a single statewide TIF.*

Goal:

Targeted Smart Economic Development
Elimination of School Infrastructure Inequity
Long Term Property Tax Relief
Reduced Government Expenditures

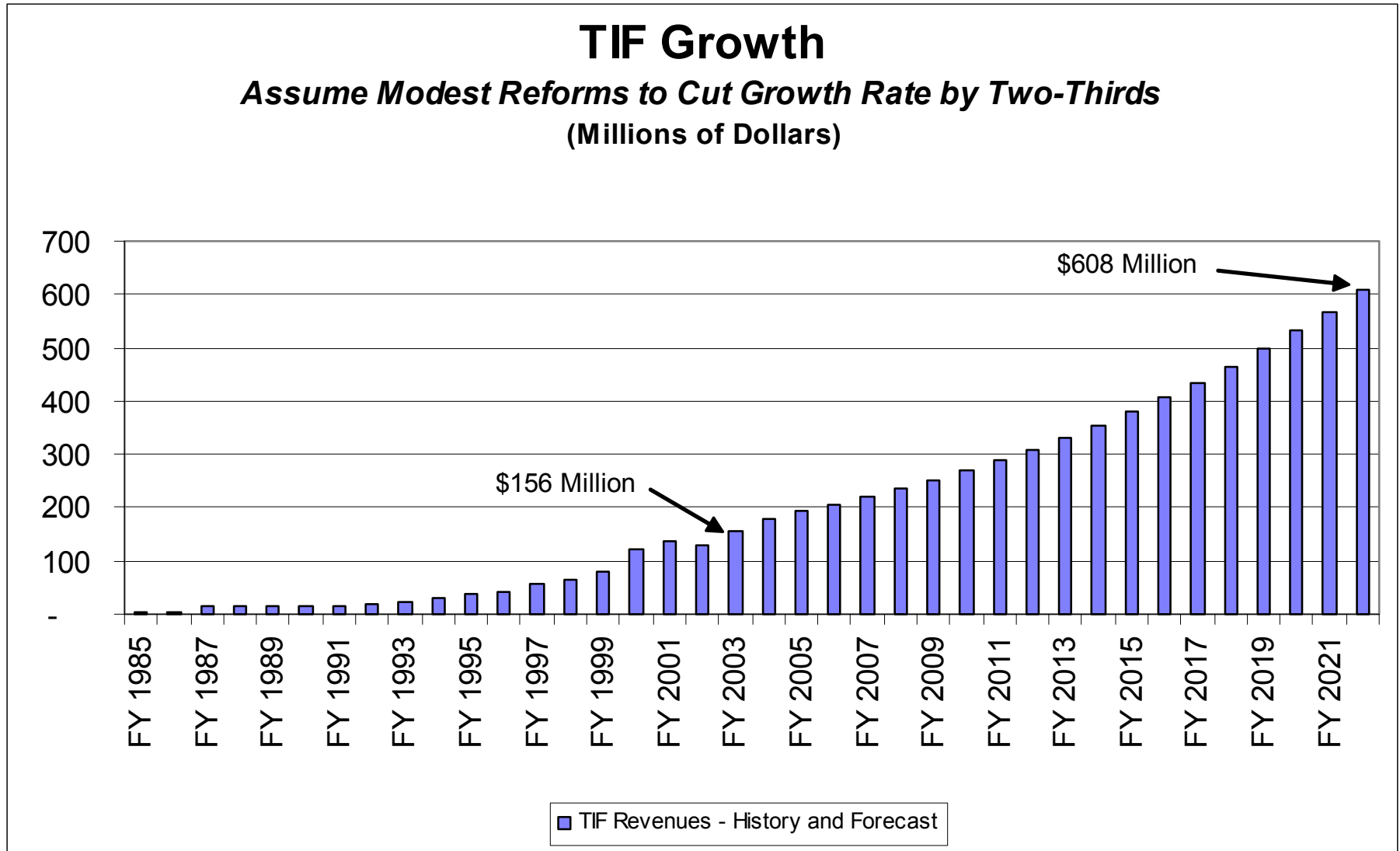
STIR Iowa: Maximize Under-Utilized Assets

Plan Specifics

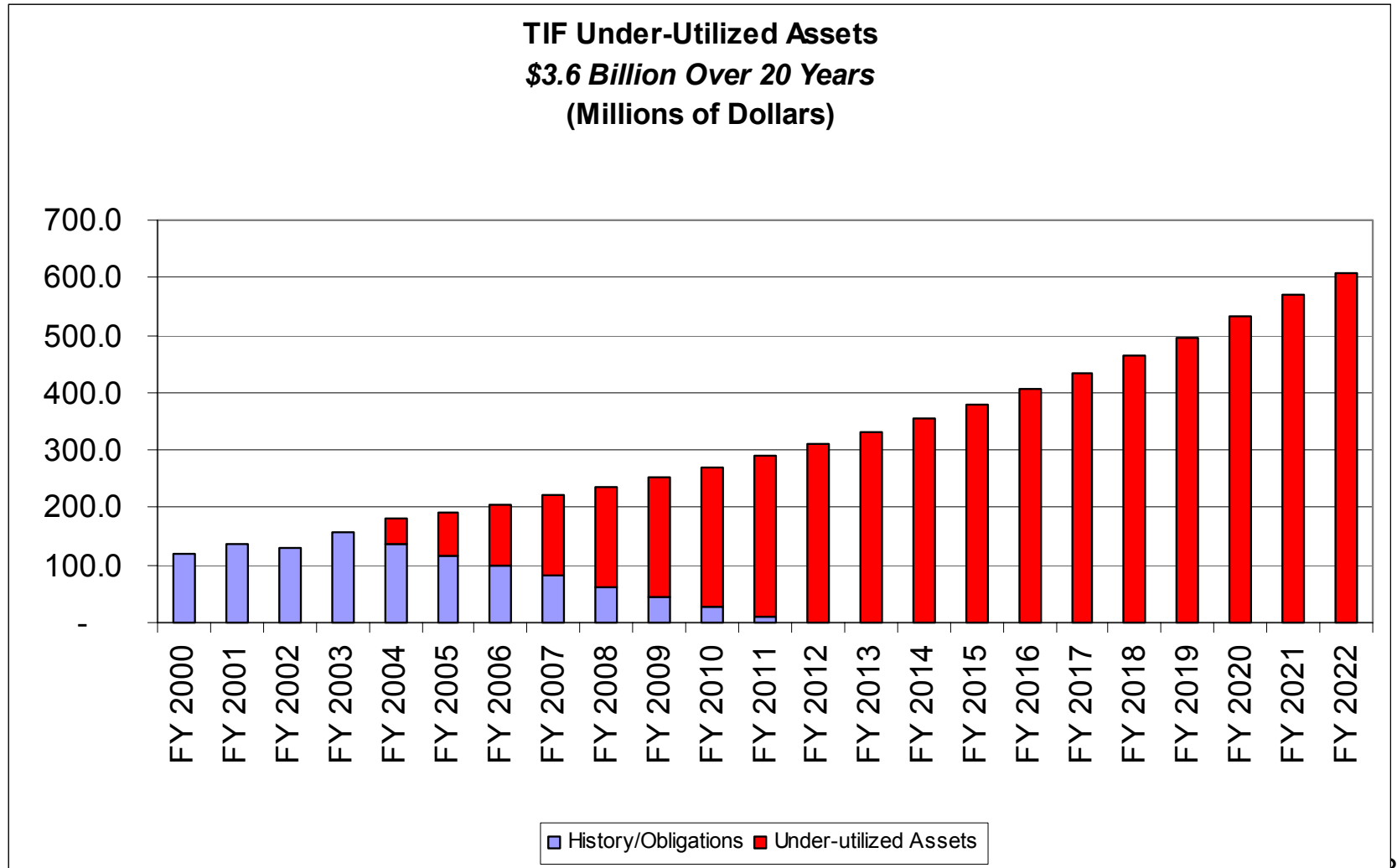
1. Eliminate all Tax Increment Financing areas upon enactment.
2. All local TIF increments will be released to their taxing district bases.
3. A Statewide TIF will be created, equal to 4.5% of Statewide taxable valuation. *(Local TIF is 5% of valuation and growing)*
4. Each taxing district will contribute 4.5% of its value to the STIR.
5. All existing TIF obligations will be retired by the STIR Iowa Fund.
6. The State will issue \$2 billion in revenue bonds. Revenues will be used wisely to maximize economic gain in Iowa by capitalizing on the state's comparative advantages.

TIF Trend: Reasonable Trend Forecast

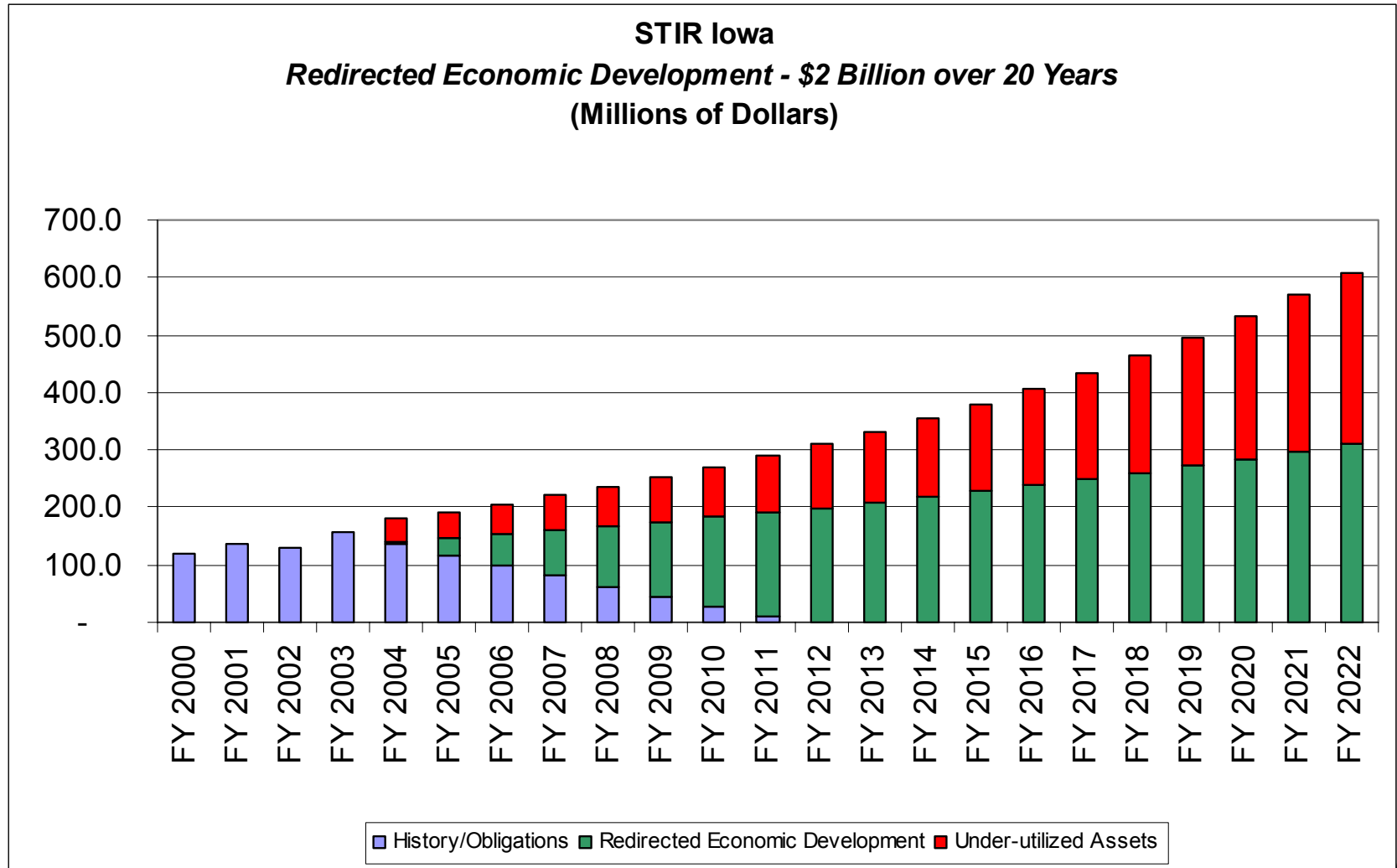
“Under-Utilized Assets”



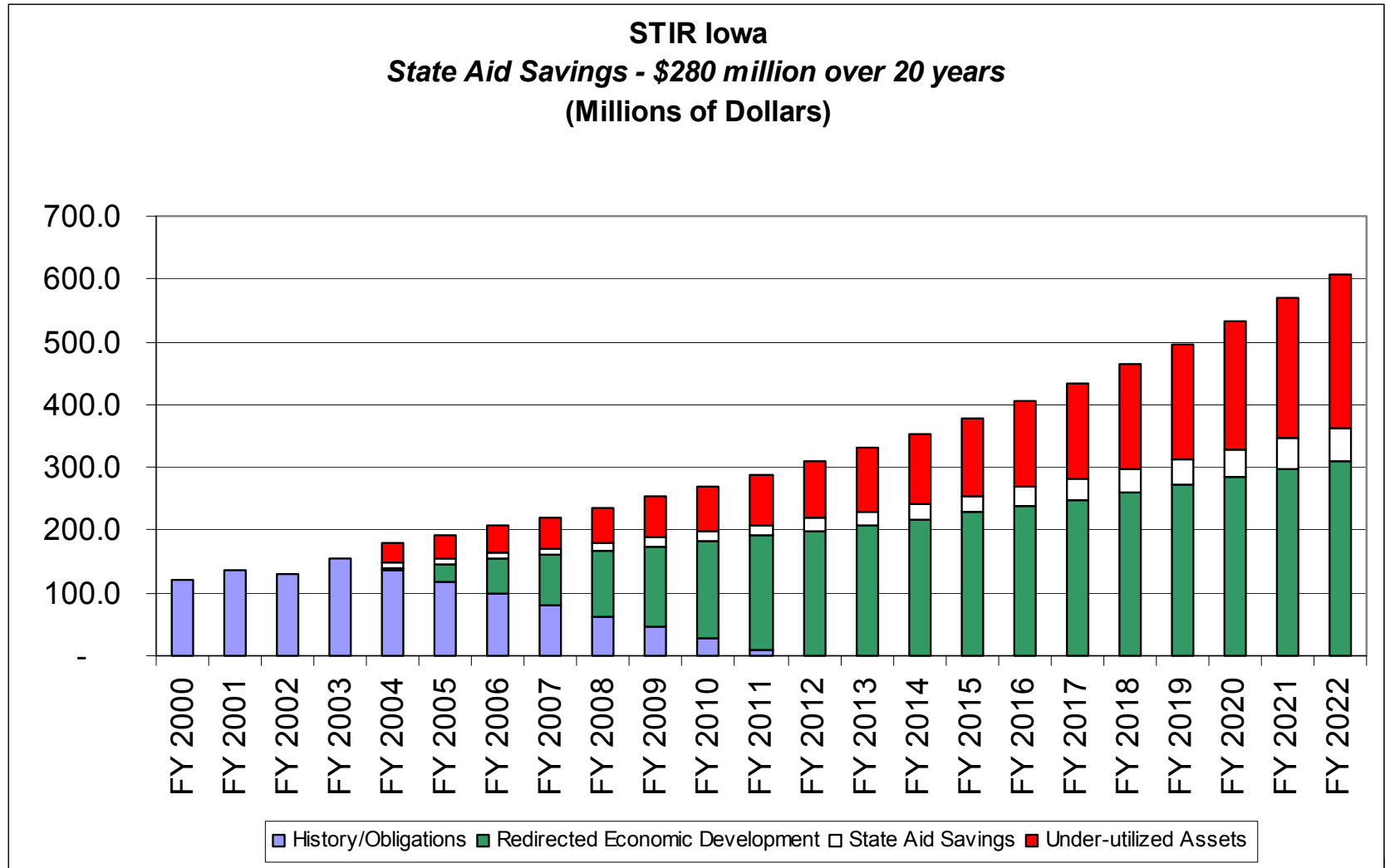
Total Available Under-Utilized Assets



Leveraging Under-Utilized Assets: *Redirect Economic Development*

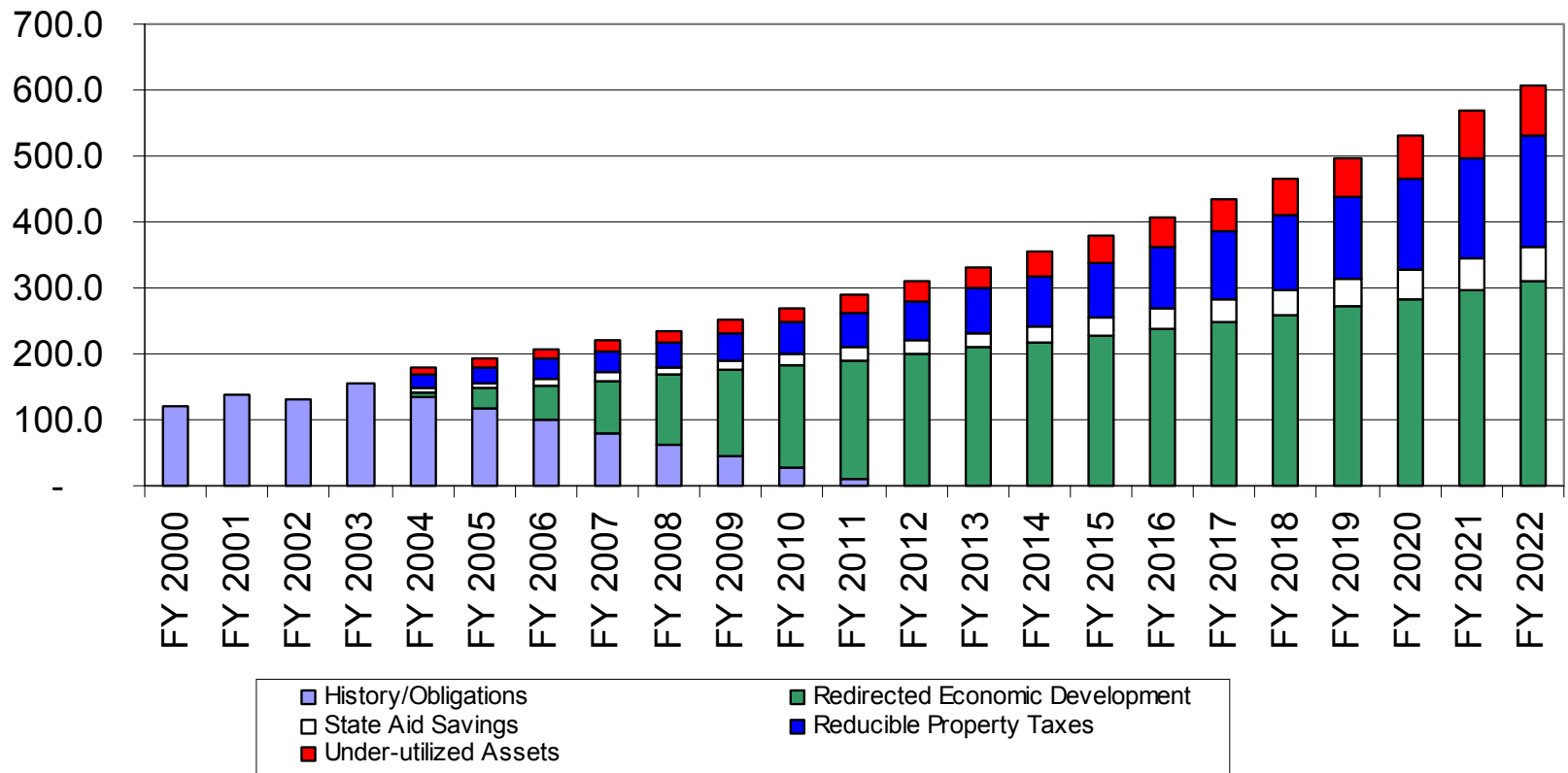


Leveraging Under-Utilized Assets: *General Fund Savings Through State Aid Formula*

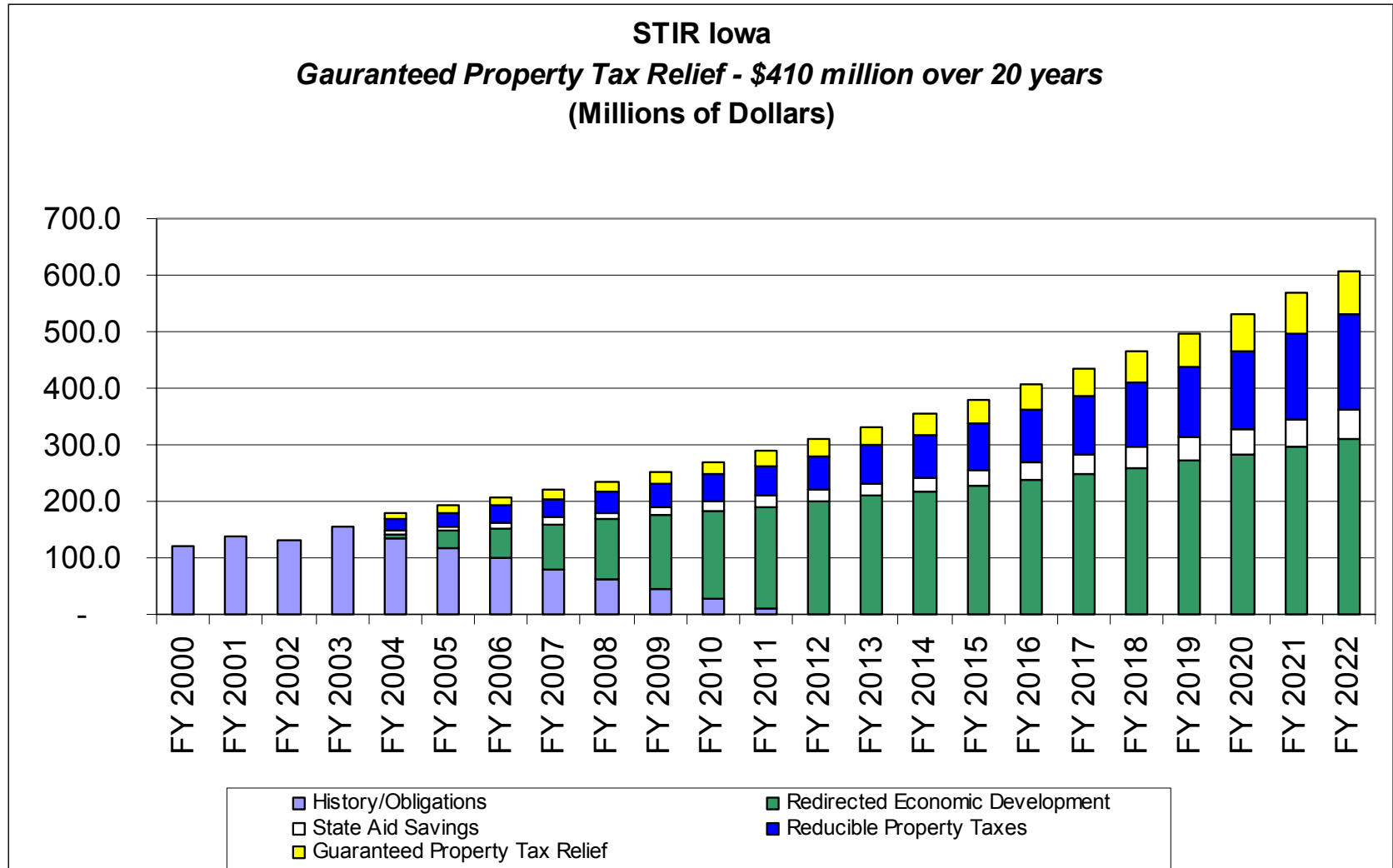


Leveraging Under-Utilized Assets: *Increased Local Government Tax Base*

STIR Iowa
Potential Property Tax Relief - \$875 million over 20 years
(Millions of Dollars)



Leveraging Under-Utilized Assets: *Guaranteed Property Tax Relief*



Summary of Impacts

STIR Iowa Tax Impacts (in present dollars)

- Net property tax reduction of \$40 million in first year in aggregate.
- Guaranteed Property Tax Relief of \$410 million over 20 years.
- Potential Property Tax Relief / Larger Local Government Tax Base: \$875 million over 20 years.
- State Aid Savings: \$280 million over 20 years.

STIR Financing Recap

Local TIFs (Current Law)

- **Lumpy** – Some taxpayers affected a great deal, others not at all.

Statewide TIF (STIR Iowa)

- **Uniform** – All property taxpayers will contribute. Some will have a short-term tax increase, some will have an immediate decrease.

Consideration of Other Benefits:

Sales Tax Equalization

- All net impacts thus far assume no benefits from expenditures from STIR Iowa Fund.
- School Infrastructure alone will transform virtually all tax increases to tax decreases.
- STIR Iowa will set aside \$400 million for local option equalization.
 - Equalization money will go to school districts in counties with less than \$500 per pupil in retail sales
 - In most cases, virtually all capital needs will be met with no property tax indebtedness

STIR Financing Recap

Local TIFs (Current Law)

- **Lumpy** – Some taxpayers affected a great deal, others not at all.
- **Unlimited Growth**
 - Currently 5% of Statewide Taxable Valuation
 - Grows Where It's Already in Place
 - Expands to New Places
- **Unlimited Lifespan**
 - Local TIFs will be with us forever (unless law is changed)
- **Broad Scope**
 - **Malls, car washes, tax rebatement and anything else.**

Statewide TIF (STIR Iowa)

- **Uniform** – All property taxpayers will contribute. Some will have a short-term tax increase, some will have an immediate decrease.
- **Capped**
 - 4.5% of Statewide Taxable Valuation
- **20 Year Life Expectancy**
 - STIR goes away when bonds are retired (unless law is changed)
 - Success => 10-15 Year Lifespan
- **Targeted Focus**

Summary of Impacts

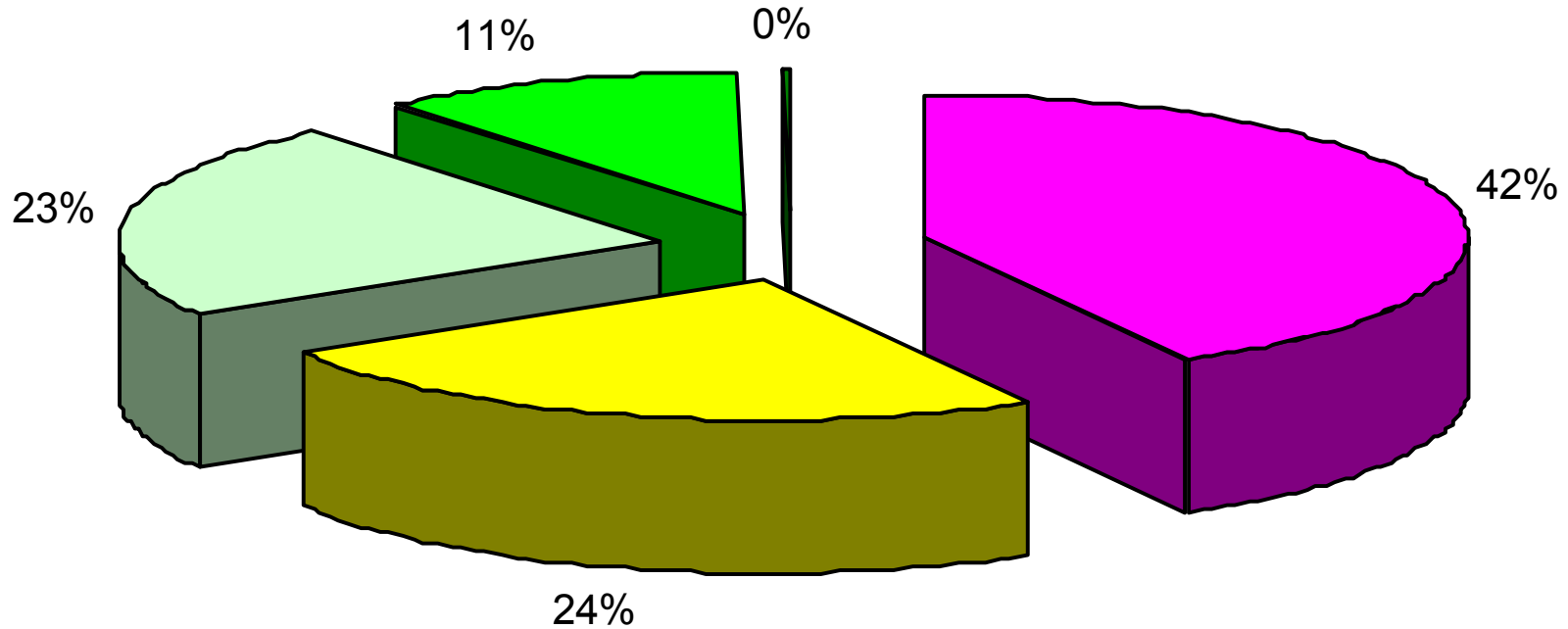
STIR Iowa Tax Impacts

- Tax impacts not spread uniformly in the short-run:
 - Those ***most impacted*** by TIF now will have the greatest immediate property tax relief.
 - Those ***least impacted*** by TIF now will have relatively small short-run tax increases
- Range:
 - Largest first year tax increase: \$1.63 per \$1,000
 - Largest first year tax decrease: \$8.09 per \$1,000
- Negatives are short-lived:
 - STIR designed to disappear when bonds are retired.
 - Avoiding substantial future TIF growth negates almost all tax increases in short period of time.

Distribution of Tax Impacts Over Time

What if the next 5 years look like the last 5 years?

FY 2004



- Moderate Increase (25 cents to \$1.70)
- Moderate Decrease (25 cents to \$1.70)
- Massive Decrease (Greater than \$5.00)

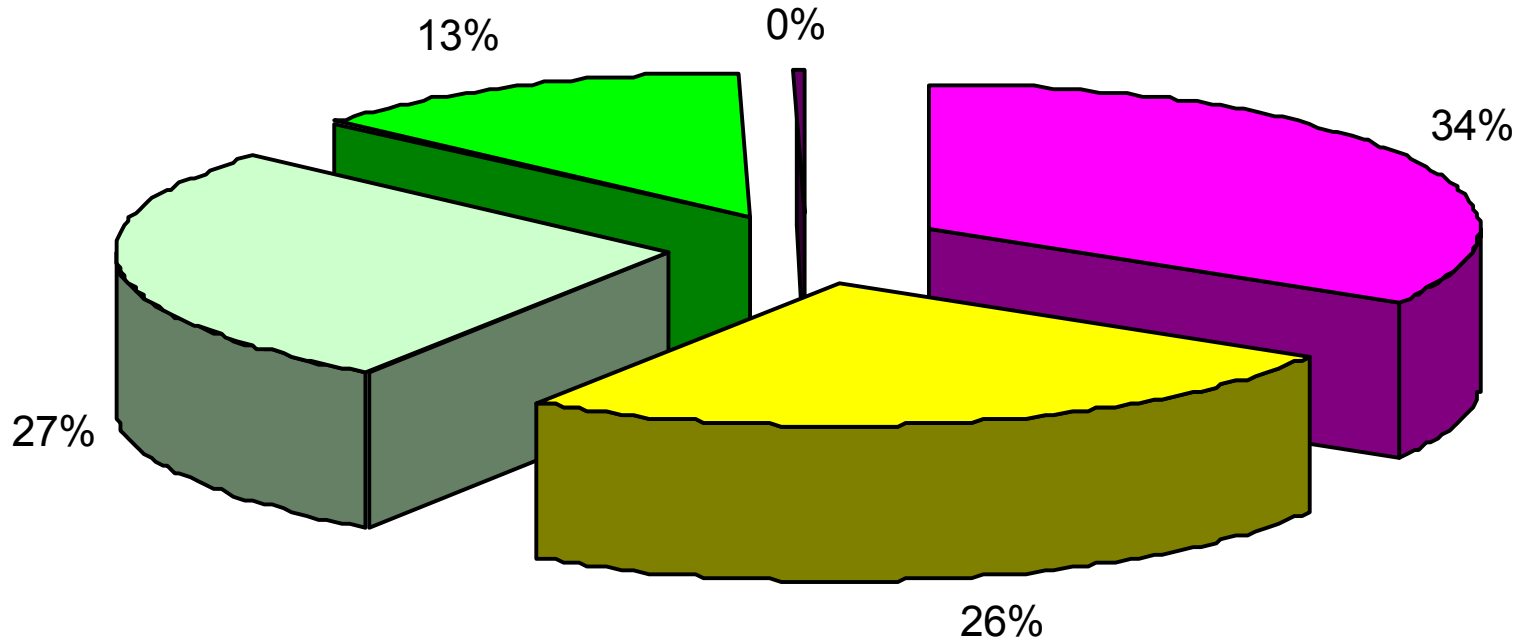
- Insignificant Change (Plus or Minus 25 cents)
- Significant Decrease (\$1.70 - \$5.00)

**Taxpayers with
Short-Run Increase**

**Indifferent
Taxpayers**

**Taxpayers with
Tax Reduction**

FY 2005



- Moderate Increase (25 cents to \$1.70)
- Moderate Decrease (25 cents to \$1.70)
- Massive Decrease (Greater than \$5.00)

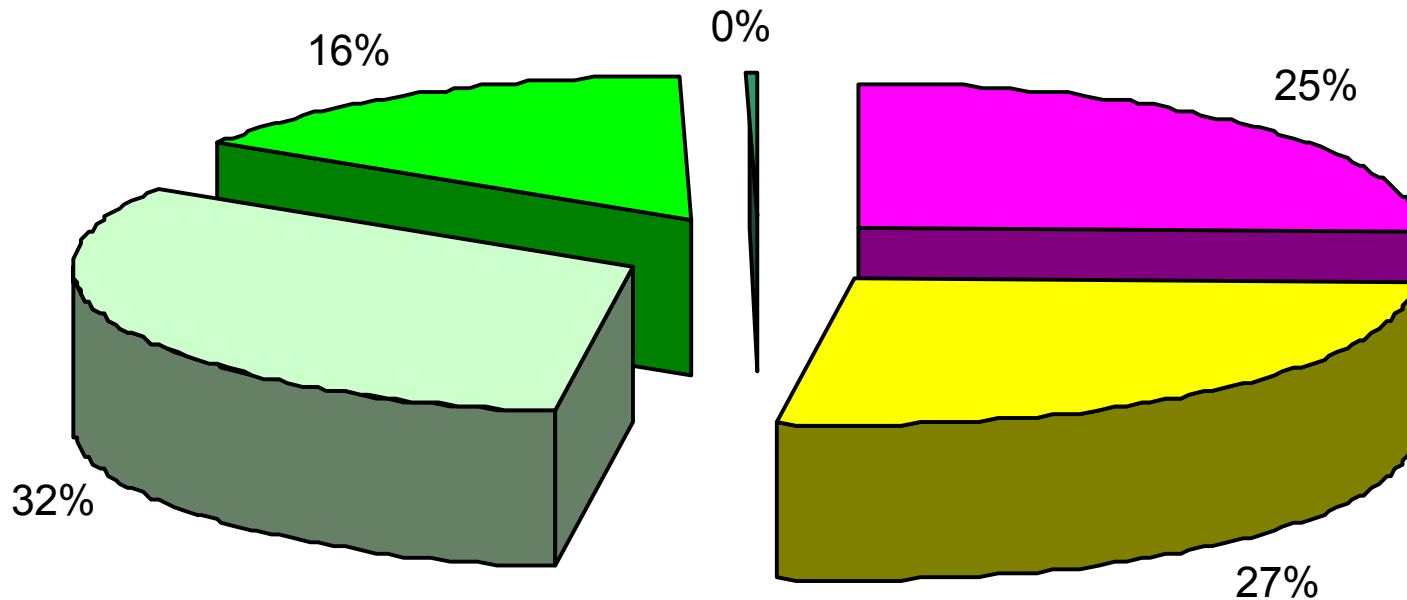
- Insignificant Change (Plus or Minus 25 cents)
- Significant Decrease (\$1.70 - \$5.00)

**Taxpayers with
Short-Run Increase**

**Indifferent
Taxpayers**

**Taxpayers with
Tax Reduction**

FY 2006



- Moderate Increase (25 cents to \$1.70)
- Moderate Decrease (25 cents to \$1.70)
- Massive Decrease (Greater than \$5.00)

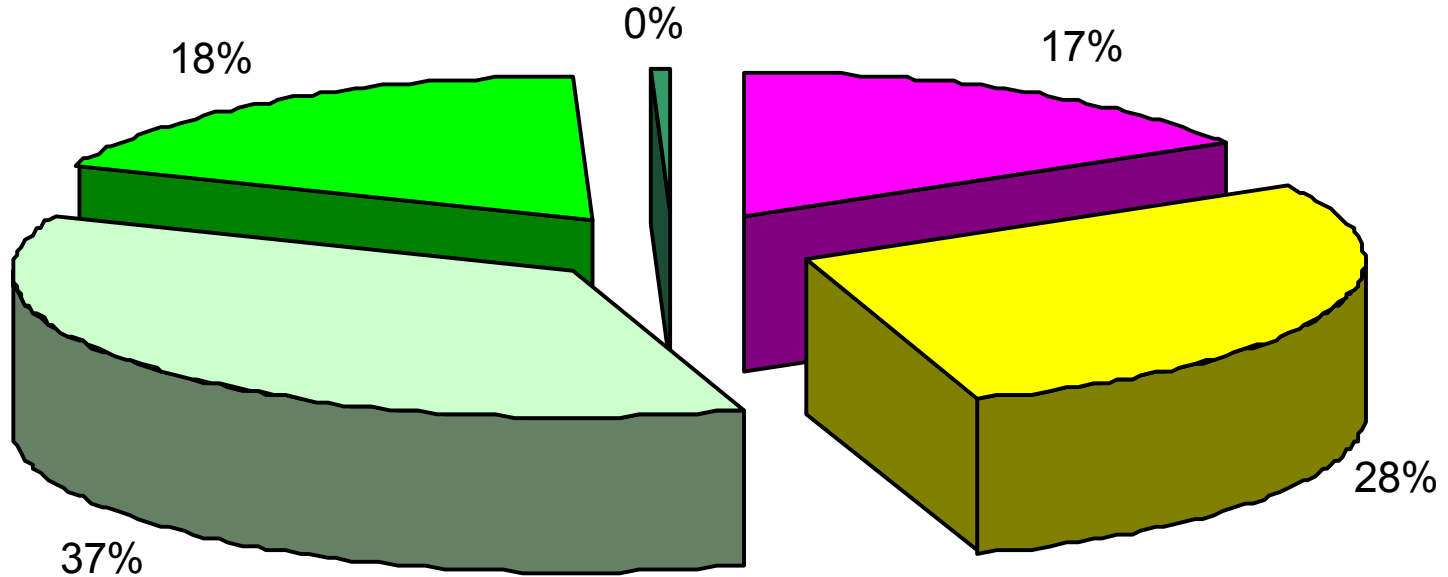
- Insignificant Change (Plus or Minus 25 cents)
- Significant Decrease (\$1.70 - \$5.00)

**Taxpayers with
Short-Run Increase**

**Indifferent
Taxpayers**

**Taxpayers with
Tax Reduction**

FY 2007



- Moderate Increase (25 cents to \$1.70)
- Moderate Decrease (25 cents to \$1.70)
- Massive Decrease (Greater than \$5.00)

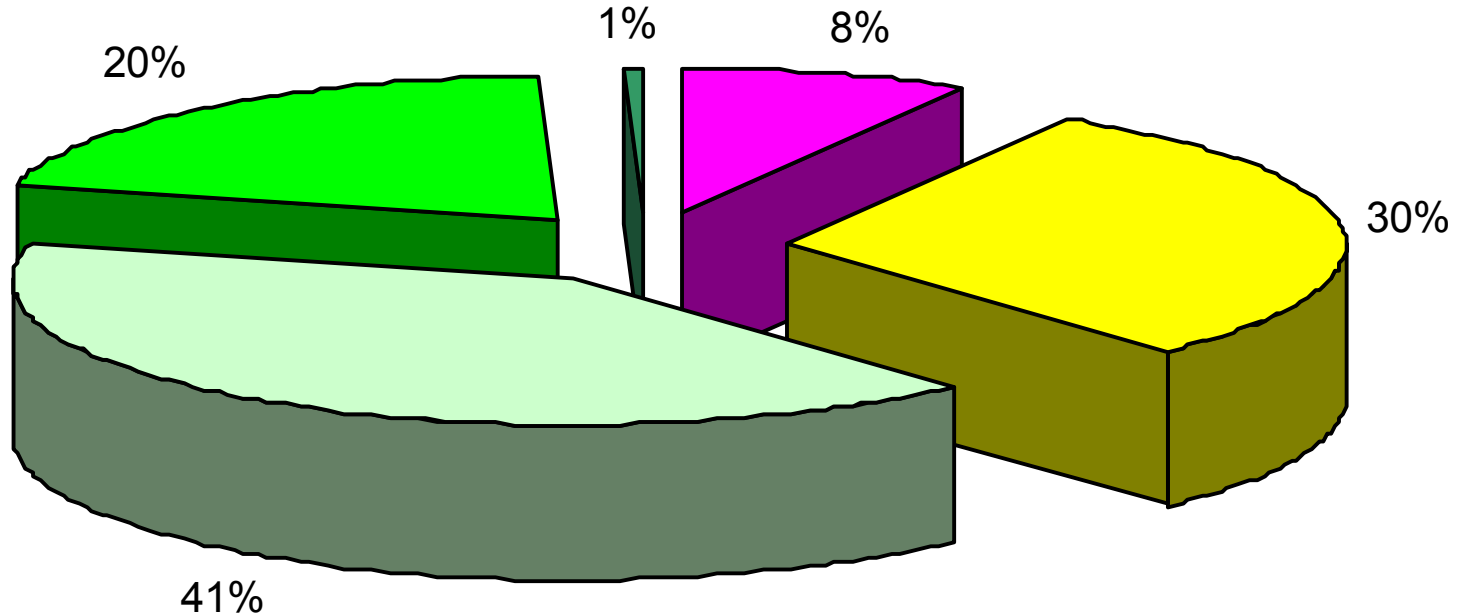
- Insignificant Change (Plus or Minus 25 cents)
- Significant Decrease (\$1.70 - \$5.00)

**Taxpayers with
Short-Run Increase**

**Indifferent
Taxpayers**

**Taxpayers with
Tax Reduction**

FY 2008



- Moderate Increase (25 cents to \$1.70)
- Moderate Decrease (25 cents to \$1.70)
- Massive Decrease (Greater than \$5.00)

- Insignificant Change (Plus or Minus 25 cents)
- Significant Decrease (\$1.70 - \$5.00)

**Taxpayers with
Short-Run Increase**

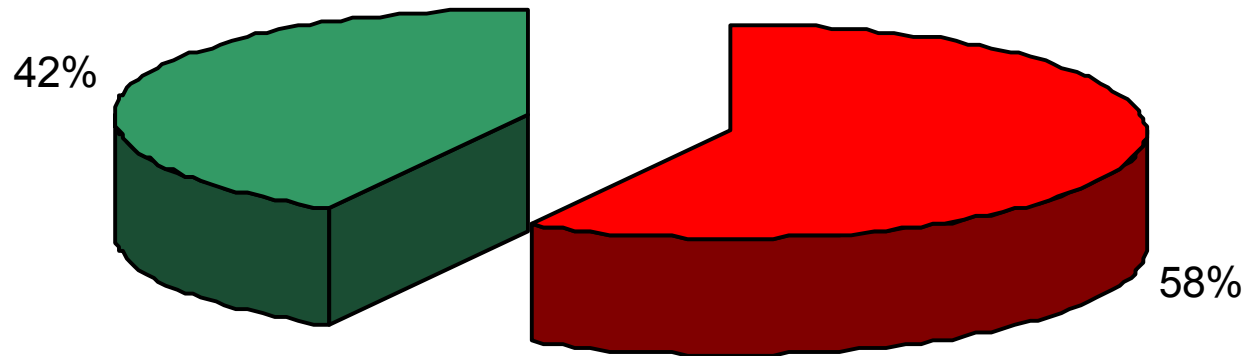
**Indifferent
Taxpayers**

**Taxpayers with
Tax Reduction**

The Alternative

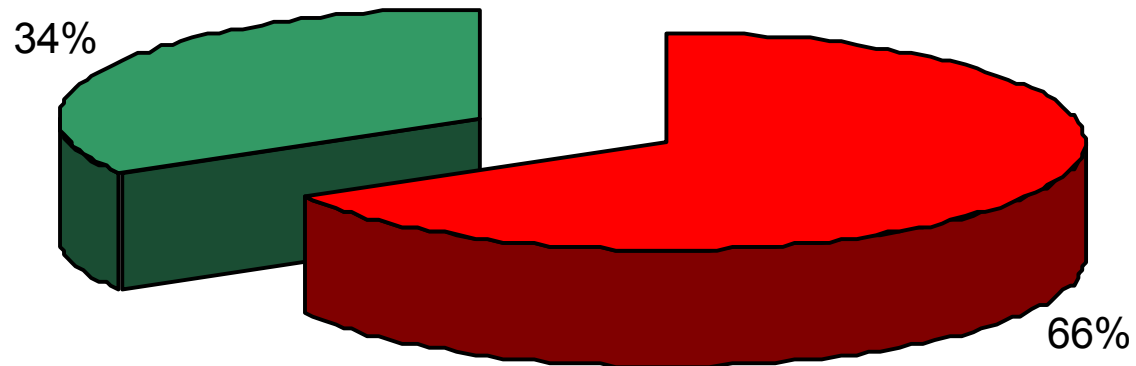
What if We Do Nothing?

FY 2004



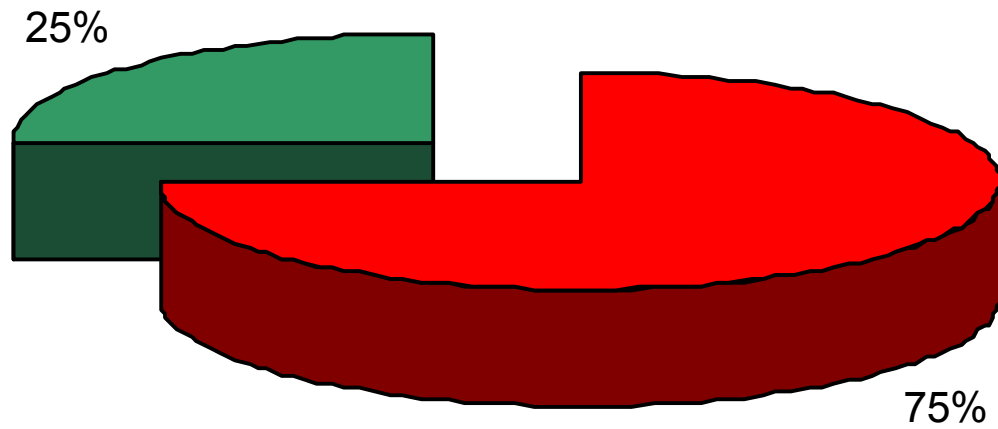
- TIF Is Contributing to Higher Tax Rates
- TIF Is Not Significantly Impacting You Yet

FY 2005



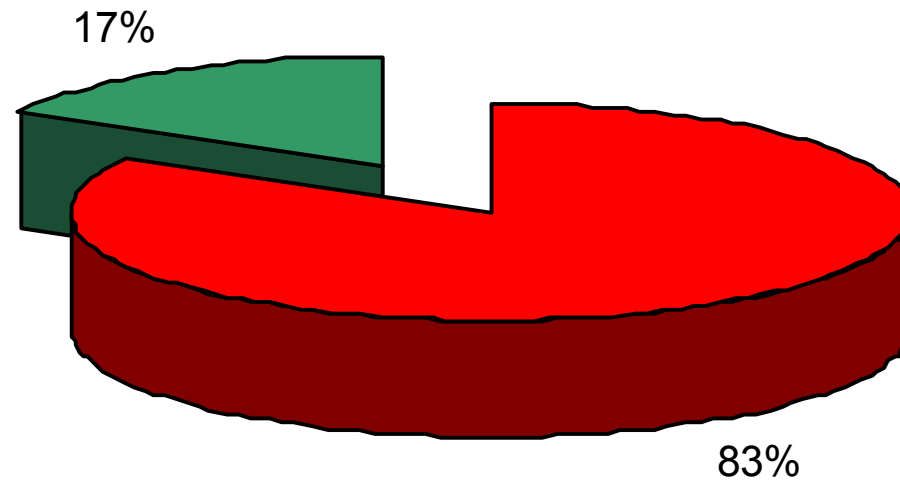
- TIF Is Contributing to Higher Tax Rates
- TIF Is Not Significantly Impacting You Yet

FY 2006



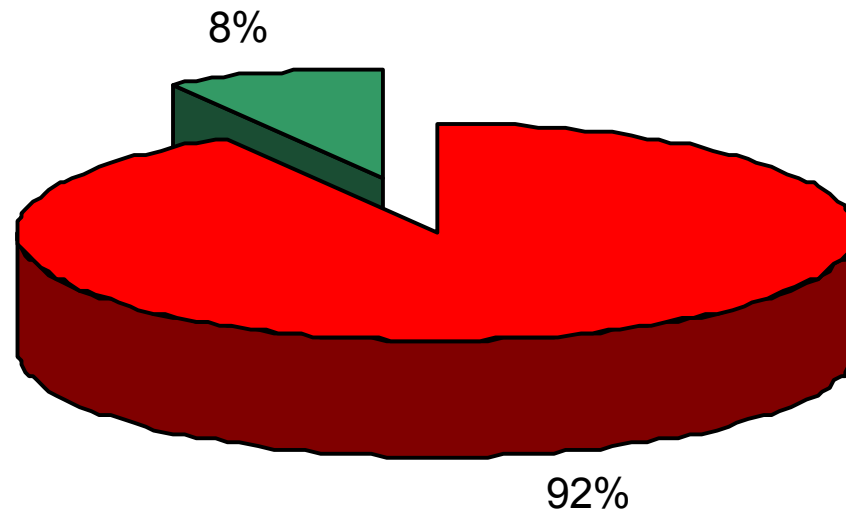
- TIF Is Contributing to Higher Tax Rates
- TIF Is Not Significantly Impacting You Yet

FY 2007



- TIF Is Contributing to Higher Tax Rates
- TIF Is Not Significantly Impacting You Yet

FY 2008



- TIF Is Contributing to Higher Tax Rates
- TIF Is Not Significantly Impacting You Yet

STIR Financing Recap

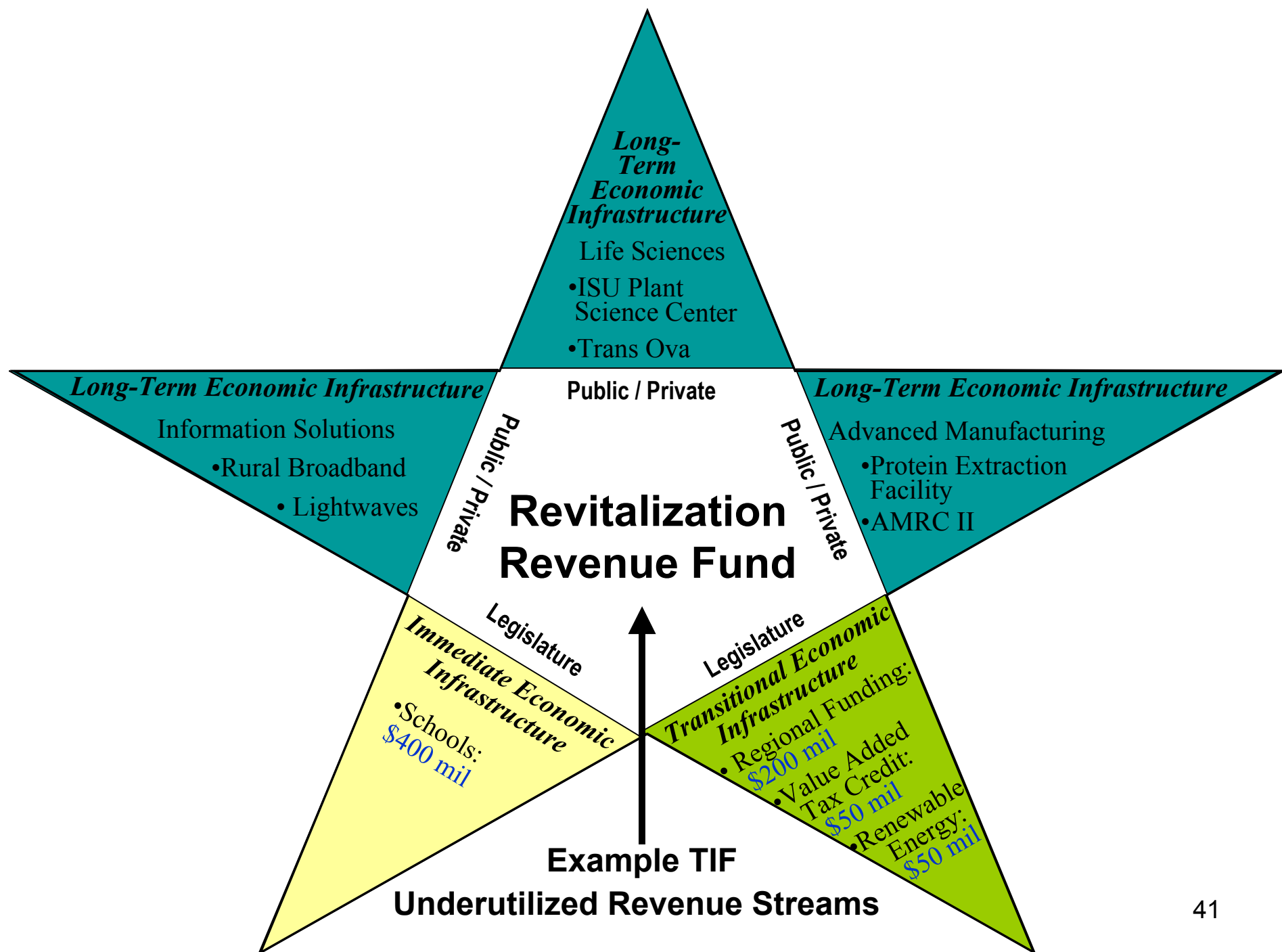
Local TIFs (Current Law)

- **Lumpy** – Some taxpayers affected a great deal, others not at all.
- **Unlimited Growth**
 - Currently 5% of Statewide Taxable Valuation
 - Grows Where It's Already in Place
 - Expands to New Places
- **Unlimited Lifespan**
 - Local TIFs will be with us forever (unless law is changed)
- **Broad Scope**
 - **Malls, car washes, tax rebatement and anything else.**

Statewide TIF (STIR Iowa)

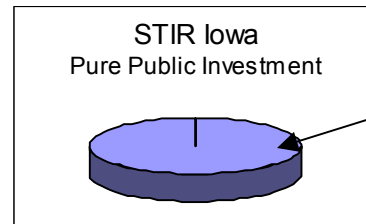
- **Uniform** – All taxpayers will contribute. Some will have a short-term tax increase, some will have an immediate decrease.
- **Capped**
 - 4.5% of Statewide Taxable Valuation
- **20 Year Life Expectancy**
 - STIR goes away when bonds are retired (unless law is changed)
 - Success => 10-15 Year Lifespan

– ***Targeted Focus***



STIR Iowa

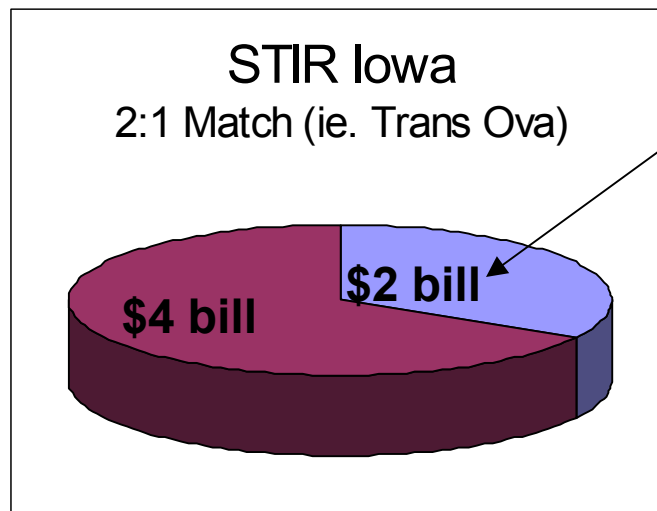
This is Just the Beginning



\$2 billion, About 2%
of the Iowa Economy

STIR Iowa

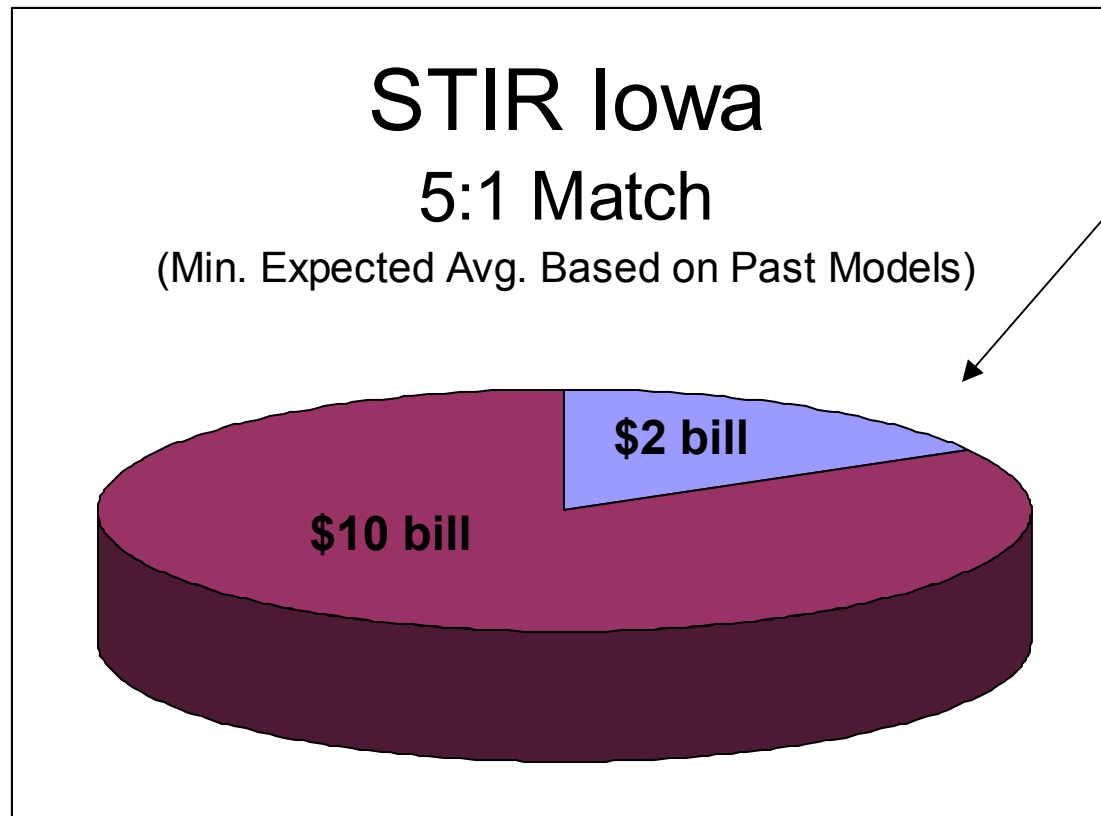
This is Just the Beginning



About 7% of the
Iowa Economy

STIR Iowa

This is Just the Beginning



About 13%
of the Iowa
Economy!

This is the minimum expectation for a fund-wide average match!

Other Stimulus Investment Concepts have yielded investment match in excess of 13:1!

Economic Revitalization

Long Term Property Tax Relief

School Infrastructure Funding Equity

\$2,000,000,000

Through the re-deployment of underutilized assets.